

# House Study Bill 596

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON HOFFMAN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to tax incentives and assistance available to  
2 qualified historic property located in designated enterprise  
3 zones and other historic property, and including effective and  
4 applicability date provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 6120YC 81  
7 mg/cf/24

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1 1 Section 1. Section 15E.192, Code Supplement 2005, is  
1 2 amended by adding the following new subsection:  
1 3 NEW SUBSECTION. 0A. For the purposes of this division,  
1 4 "qualified historic property" means property that is at least  
1 5 fifty years old and is listed on the national register of  
1 6 historic places or eligible for such listing and has been  
1 7 rehabilitated without significant changes to the original  
1 8 exterior of the property and without affecting its status with  
1 9 regard to the national register of historic places.  
1 10 Sec. 2. Section 15E.193B, subsection 2, Code Supplement  
1 11 2005, is amended to read as follows:  
1 12 2. An eligible housing business under this section  
1 13 includes ~~a either of the following:~~  
1 14 a. A housing developer, housing contractor, or nonprofit  
1 15 organization that builds or rehabilitates a minimum of four  
1 16 single-family homes located in that part of a city or county  
1 17 in which there is a designated enterprise zone or one multiple  
1 18 dwelling unit building containing three or more individual  
1 19 dwelling units located in that part of a city or county in  
1 20 which there is a designated enterprise zone.  
1 21 b. An owner or developer that rehabilitates a qualified  
1 22 historic property to be used for dwelling purposes which is  
1 23 located in that part of a city or county in which there is a  
1 24 designated enterprise zone.  
1 25 Sec. 3. Section 15E.193B, subsection 6, paragraph a, Code  
1 26 Supplement 2005, is amended to read as follows:  
1 27 a. An eligible housing business may claim a tax credit up  
1 28 to a maximum of ten percent of the new investment which is  
1 29 directly related to the building or rehabilitating of a  
1 30 minimum of four single-family homes located in that part of a  
1 31 city or county in which there is a designated enterprise zone,  
1 32 ~~or~~ one multiple dwelling unit building containing three or  
1 33 more individual dwelling units located in that part of a city  
1 34 or county in which there is a designated enterprise zone, or  
1 35 qualified historic property located in that part of a city or  
2 1 county in which there is a designated enterprise zone. The  
2 2 new investment that may be used to compute the tax credit  
2 3 shall not exceed the new investment used for the first one  
2 4 hundred forty thousand dollars of value for each single-family  
2 5 home, ~~or~~ for each unit of a multiple dwelling unit building  
2 6 containing three or more units, or for each dwelling unit  
2 7 located in the qualified historic property. The tax credit  
2 8 may be used to reduce the tax liability imposed under chapter  
2 9 422, division II, III, or V, or chapter 432. Any credit in  
2 10 excess of the tax liability for the tax year may be credited  
2 11 to the tax liability for the following seven years or until  
2 12 depleted, whichever occurs earlier. If the business is a  
2 13 partnership, S corporation, limited liability company, or  
2 14 estate or trust electing to have the income taxed directly to  
2 15 the individual, an individual may claim the tax credit  
2 16 allowed. The amount claimed by the individual shall be based

2 17 upon the pro rata share of the individual's earnings of the  
2 18 partnership, S corporation, limited liability company, or  
2 19 estate or trust except as allowed for under subsection 8 when  
2 20 low-income housing tax credits authorized under section 42 of  
2 21 the Internal Revenue Code are used to assist in the financing  
2 22 of the housing development.

2 23 Sec. 4. Section 15E.195, subsections 1, 2, and 4, Code  
2 24 2005, are amended to read as follows:

2 25 1. A county which designates an enterprise zone pursuant  
2 26 to section 15E.194, subsection 1, and in which an eligible  
2 27 enterprise zone is certified shall establish an enterprise  
2 28 zone commission to review applications from qualified  
2 29 businesses located within or requesting to locate within an  
2 30 enterprise zone designated pursuant to section 15E.194,  
2 31 subsection 1, to receive incentives or assistance as provided  
2 32 in section 15E.196. The enterprise zone commission shall also  
2 33 review applications from qualified housing businesses  
2 34 requesting to receive incentives or assistance as provided in  
2 35 section 15E.193B. The enterprise zone commission shall review

3 1 applications from owners or developers of qualified historic  
3 2 properties to receive incentives or assistance as provided in  
3 3 section 15E.193B or 15E.196, as applicable. The commission

3 4 shall consist of nine members. Five of these members shall  
3 5 consist of one representative of the board of supervisors, one  
3 6 member with economic development expertise chosen by the  
3 7 department of economic development, one representative of the  
3 8 county zoning board, one member of the local community college  
3 9 board of directors, and one representative of the local  
3 10 workforce development center. These five members shall select  
3 11 the remaining four members. If the enterprise zone consists  
3 12 of an area meeting the requirements for eligibility for an  
3 13 urban or rural enterprise community under Title XIII of the  
3 14 federal Omnibus Budget Reconciliation Act of 1993, one of the  
3 15 remaining four members shall be a representative of that  
3 16 community. A county shall have only one enterprise zone  
3 17 commission to review applications for incentives and  
3 18 assistance for businesses located within or requesting to  
3 19 locate within a certified enterprise zone designated pursuant  
3 20 to section 15E.194, subsection 1.

3 21 2. A city with a population of twenty-four thousand or  
3 22 more which designates an enterprise zone pursuant to section  
3 23 15E.194, subsection 2, and in which an eligible enterprise  
3 24 zone is certified shall establish an enterprise zone  
3 25 commission to review applications from qualified businesses  
3 26 located within or requesting to locate within an enterprise  
3 27 zone to receive incentives or assistance as provided in  
3 28 section 15E.196. The enterprise zone commission shall review  
3 29 applications from qualified housing businesses requesting to  
3 30 receive incentives or assistance as provided in section  
3 31 15E.193B. The enterprise zone commission shall review

3 32 applications from owners or developers of qualified historic  
3 33 properties to receive incentives or assistance as provided in  
3 34 section 15E.193B or 15E.196, as applicable. The commission

3 35 shall consist of nine members. Six of these members shall  
4 1 consist of one representative of an international labor  
4 2 organization, one member with economic development expertise  
4 3 chosen by the department of economic development, one  
4 4 representative of the city council, one member of the local  
4 5 community college board of directors, one member of the city  
4 6 planning and zoning commission, and one representative of the  
4 7 local workforce development center. These six members shall  
4 8 select the remaining three members. If the enterprise zone  
4 9 consists of an area meeting the requirements for eligibility  
4 10 for an urban enterprise community under Title XIII of the  
4 11 federal Omnibus Budget Reconciliation Act of 1993, one of the  
4 12 remaining three members shall be a representative of that  
4 13 community. If a city contiguous to the city designating the  
4 14 enterprise zone is included in an enterprise zone, a  
4 15 representative of the contiguous city, chosen by the city  
4 16 council, shall be a member of the commission. A city in which  
4 17 an eligible enterprise zone is certified shall have only one  
4 18 enterprise zone commission. If a city has established an  
4 19 enterprise zone commission prior to July 1, 1998, the city may  
4 20 petition to the department of economic development to change  
4 21 the structure of the existing commission.

4 22 4. If the enterprise zone commission determines that a  
4 23 business or an owner or developer of a qualified historic  
4 24 property qualifies and is eligible to receive incentives or  
4 25 assistance as provided in section 15E.193B or 15E.196, the  
4 26 commission shall submit an application for incentives or  
4 27 assistance to the department of economic development. The

4 28 department may approve, defer, or deny the application.

4 29 Sec. 5. Section 15E.196, unnumbered paragraph 1, Code  
4 30 Supplement 2005, is amended to read as follows:

4 31 For purposes of determining the incentives or assistance  
4 32 provided in this section, "eligible business" means a business  
4 33 or owner or developer of a qualified historic property which  
4 34 has been approved to receive incentives and assistance by the  
4 35 department of economic development pursuant to application as  
5 1 provided in section 15E.195. The incentives and assistance  
5 2 provided under this division for businesses or for  
5 3 rehabilitating qualified historic property located in

5 4 enterprise zones shall be for a period not to exceed ten years  
5 5 and shall include all of the following:

5 6 Sec. 6. Section 15E.196, subsections 3 and 6, Code  
5 7 Supplement 2005, are amended to read as follows:

5 8 3. Investment tax credit of up to ten percent, as provided  
5 9 in section 15.333. In the case of an owner or developer of  
5 10 qualified historic property, the tax credit shall be based  
5 11 upon the rehabilitation costs related to the new jobs created  
5 12 by the occupant business.

5 13 6. Insurance premium tax credit of up to ten percent, as  
5 14 provided in section 15.333A. In the case of an owner or  
5 15 developer of qualified historic property, the tax credit shall  
5 16 be based upon the rehabilitation costs related to the new jobs  
5 17 created by the occupant business.

5 18 Sec. 7. Section 404A.1, subsection 2, Code Supplement  
5 19 2005, is amended by adding the following new paragraph:

5 20 NEW PARAGRAPH. e. Property that is at least fifty years  
5 21 old and is listed on the national register of historic places  
5 22 or eligible for such listing and is located in a designated  
5 23 enterprise zone pursuant to chapter 15E, division XVIII.

5 24 Sec. 8. Section 404A.4, subsection 4, Code Supplement  
5 25 2005, is amended to read as follows:

5 26 4. a. The total amount of tax credits that may be  
5 27 approved for a fiscal year under this chapter shall not exceed  
5 28 two million four hundred thousand dollars. For the fiscal  
5 29 period beginning July 1, 2005, and ending June 30, 2015, an  
5 30 additional four million dollars of tax credits may be approved  
5 31 each fiscal year for purposes of projects located in cultural  
5 32 and entertainment districts certified pursuant to section  
5 33 303.3B. Any of the additional tax credits allocated for  
5 34 projects located in certified cultural and entertainment  
5 35 districts that are not approved during a fiscal year shall be  
6 1 applied to reserved tax credits issued in accordance with  
6 2 section 404A.3 in order of original reservation.

6 3 b. For fiscal years beginning on or after July 1, 2006,  
6 4 there is not a limit on the amount of tax credits that may be  
6 5 approved for a fiscal year for the rehabilitation of eligible  
6 6 property as defined in section 404A.1, subsection 2, paragraph  
6 7 "e". Such tax credits shall not be counted as part of the  
6 8 limitation on the amount of tax credits that may be approved  
6 9 under paragraph "a".

6 10 c. The department of cultural affairs shall establish by  
6 11 rule the procedures for the application, review, selection,  
6 12 and awarding of certifications of completion. The departments  
6 13 of economic development, cultural affairs, and revenue shall  
6 14 each adopt rules to jointly administer this subsection and  
6 15 shall provide by rule for the method to be used to determine  
6 16 for which fiscal year the tax credits are available. With the  
6 17 exception of tax credits issued pursuant to contracts entered  
6 18 into prior to July 1, 2005, tax credits shall not be reserved  
6 19 for more than five years.

6 20 Sec. 9. Section 441.21, subsection 2, Code Supplement  
6 21 2005, is amended to read as follows:

6 22 2. In the event market value of the property being  
6 23 assessed cannot be readily established in the foregoing  
6 24 manner, then the assessor may determine the value of the  
6 25 property using the other uniform and recognized appraisal  
6 26 methods including its productive and earning capacity, if any,  
6 27 industrial conditions, its cost, physical and functional  
6 28 depreciation and obsolescence and replacement cost, and all  
6 29 other factors which would assist in determining the fair and  
6 30 reasonable market value of the property but the actual value  
6 31 shall not be determined by use of only one such factor. The  
6 32 following shall not be taken into consideration: Special  
6 33 value or use value of the property to its present owner, and  
6 34 the goodwill or value of a business which uses the property as  
6 35 distinguished from the value of the property as property.

7 1 However, in assessing property that is rented or leased to  
7 2 low-income individuals and families as authorized by section  
7 3 42 of the Internal Revenue Code, as amended, and which section

4 limits the amount that the individual or family pays for the  
rental or lease of units in the property, the assessor shall  
use the productive and earning capacity from the actual rents  
received as a method of appraisal and shall take into account  
the extent to which that use and limitation reduces the market  
value of the property. The assessor shall not consider any  
tax credit equity or other subsidized financing as income  
provided to the property in determining the assessed value.  
The property owner shall notify the assessor when property is  
withdrawn from section 42 eligibility under the Internal  
Revenue Code. The property shall not be subject to section 42  
assessment procedures for the assessment year for which  
section 42 eligibility is withdrawn. This notification must  
be provided to the assessor no later than March 1 of the  
assessment year or the owner will be subject to a penalty of  
five hundred dollars for that assessment year. The penalty  
shall be collected at the same time and in the same manner as  
regular property taxes. However, in assessing property that  
is qualified historic property, as defined in section 15E.192,  
subsection 0A, which is located in a designated enterprise  
zone, the assessor shall use the productive and earning  
capacity of the property as the method of appraisal. Upon  
adoption of uniform rules by the department of revenue or  
succeeding authority covering assessments and valuations of  
such properties, the valuation on such properties shall be  
determined in accordance with such rules and in accordance  
with forms and guidelines contained in the real property  
appraisal manual prepared by the department as updated from  
time to time for assessment purposes to assure uniformity, but  
such rules, forms, and guidelines shall not be inconsistent  
with or change the foregoing means of determining the actual,  
market, taxable and assessed values.

Sec. 10. EFFECTIVE AND APPLICABILITY DATES. This Act,  
being deemed of immediate importance, takes effect upon  
enactment and applies as follows:

1. The sections of this Act amending sections 15E.192,  
15E.193B, 15E.195, and 15E.196 apply to qualified historic  
property where completion of rehabilitation occurs on or after  
the effective date of this Act.

2. The sections of this Act amending sections 404A.1 and  
404A.4 apply to fiscal years beginning on or after July 1,  
2006.

3. The section of this Act amending section 441.21 applies  
to assessment years beginning on or after January 1, 2007.

#### EXPLANATION

This bill relates to qualified historic property that is 50  
years old, is either on the national register of historic  
places or is eligible for such listing, and is located in a  
designated enterprise zone.

The bill provides that upon approval by the local  
enterprise zone commission and the department of economic  
development, the owner or developer of the qualified historic  
property that is used for business purposes is eligible to  
receive an investment tax credit of up to 10 percent of the  
rehabilitation costs related to the new jobs created by the  
occupant business and a refund of state sales and use taxes  
paid on materials and services used in the rehabilitation. If  
the qualified historic property is used for residential  
purposes, the owner or developer of the property is eligible  
for an investment tax credit of up to 10 percent of the  
rehabilitation costs related to the development of the  
residential units and a refund of state sales and use taxes  
paid on materials and services used in the rehabilitation.

The bill provides that for property tax purposes, qualified  
historic property located in a designated enterprise zone is  
to be assessed based on its productive and earning capacity.

The bill provides that under Code chapter 404A, the  
limitations placed on the amount of historic preservation and  
cultural and entertainment district tax credits do not apply  
to the tax credits granted for qualified historic property  
located in a designated enterprise zone.

The bill takes effect upon enactment and has various  
applicability date provisions.

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